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## State Attorneys General Reach Settlement with Countrywide Financial

### Attorney General Terry Goddard says the settlement can help more than 13,000 Arizonans avoid foreclosure.

(Phoenix, Ariz. – October 6, 2008) Attorney General Terry Goddard today announced a multi-state settlement with Countrywide Financial Corp. (Countrywide), relating to the company's alleged use of deceptive practices in their mortgage lending business.

According to the settlement, Bank of America, which acquired Countrywide Financial on July 1, 2008, agreed to develop a loan modification program for up to 397,000 borrowers nationwide. The modification program will provide a total economic value of up to \$8 billion, the states believe. Bank of America / Countrywide also agreed to pay \$150 million to states for a Foreclosure Relief Program that will benefit Countrywide customers and other distressed borrowers.

The settlement, which does not constitute an admission of wrongdoing, was reached late Friday by Arizona and several other states with Bank of America.

Goddard stated that over 13,000 Arizonans will qualify for the loan modification program that will provide them up to \$245 million in permanent economic relief. "This broad, streamlined modification program is a break-through," Goddard said. "This is the approach needed across this industry to stop the flood of foreclosures, which is at the heart of falling home prices and the current economic crisis."

Friday's settlement resolved investigations into Countrywide's lending practices by Arizona, Iowa, Ohio, Texas and Washington as well as lawsuits against Countrywide initiated by Illinois, California and Florida. The states alleged that, prior to 2008, Countrywide used unfair and deceptive tactics in its loan-origination and servicing activities and placed borrowers in structurally unfair and unaffordable loans.

Countrywide is the largest provider of sub-prime mortgages in the U.S. Forty-five percent of all Countrywide sub-prime borrowers in Arizona, and 54% of sub-prime adjustable rate mortgage (ARM) borrowers in Arizona, are delinquent or facing foreclosure.

The loan modification program is designed to achieve affordable and sustainable mortgage payments for borrowers who financed their homes with sub-prime loans or pay option ARMs

served by Countrywide that were originated prior to Dec. 31, 2007, and who are seriously delinquent or are likely to become seriously delinquent as a result of loan features, such as interest rate resets or payment recasts.

Modified loan terms will vary according to the circumstances of the borrower, but they may include an automatic freeze or reduction in interest rates, conversion to fixed-term loans and refinancing or reduction of principal owed. First-year payments of principal, interest, taxes and insurance will be targeted under the modifications to equate to 34 percent of the borrower's income (or 25 percent of income for borrowers for whom taxes and insurance are not escrowed).

Countrywide said the loan modification program will be ready for implementation by December 1, 2008, and committed to engage in proactive outreach to eligible customers by that time. Countrywide also noted that foreclosure sales will not be initiated or advanced for borrowers likely to qualify for the program until Countrywide has determined the borrower's eligibility.

Goddard called systematic loan modifications to prevent foreclosures a win for all parties. "Foreclosure is the enemy," Goddard said. "Loan modifications help borrowers avoid foreclosure and keep families in their homes. Avoiding foreclosures is also in the best interest of businesses, neighborhoods and the economy as a whole."

A report issued last week by the State Foreclosure Prevention Working Group, of which Goddard is a member, concluded that industry measures to keep homeowners out of foreclosure had slipped since the Group's previous report in April, and that nearly eight out of ten seriously delinquent homeowners are not on track for any loss mitigation outcome.

In the report, the working group concluded that, "The mortgage industry's failure to develop systematic approaches to prevent foreclosures has only spurred declines in property values and further increased expected losses on mortgage loan portfolios."

"This agreement provides for a systematic and streamlined loan modification program that is critically needed right now," Goddard said. "I strongly urge other servicers to undertake comparable, aggressive programs to prevent foreclosures."

According to the terms of the \$150 million financial settlement, Bank of America / Countrywide will pay up to \$70 million nationwide for relocation assistance to borrowers unable to retain their homes and will waive up to \$60-\$80 million in prepayment penalties and default fees. Additionally, funds will be provided to states to use for programs that prevent foreclosures and provide relief to struggling homeowners.

Bank of America / Countrywide also agreed to:

- Stop offering pay option ARMs and significantly curtail offering "low-documentation" and "no-documentation" loans.
- Initiate an early identification and contact program for people who have trouble making their payments.
- Continue working with non-profits, federal agencies and state Attorneys General on ways to use REO (real estate owned) and other properties for community development.

In August 2008, Arizona ranked third in the nation for foreclosures. According to statistics released last month by California-based RealtyTrac, more than 14,000 Arizonans were in or facing foreclosure in August 2008. This was a 67 percent increase from August 2007.

Countrywide customers looking for information about the loan modification program can call Bank of America, toll-free, at 800-669-6607 or go to Countrywide's Web site, [www.countrywide.com](http://www.countrywide.com).

Goddard urged all homeowners who are in or facing foreclosure to seek assistance as soon as possible. Homeowners can speak with a certified housing counselor by calling the Arizona Foreclosure Helpline, toll-free, at 1-877-448-1211. Borrowers who believe they have been the victim of mortgage fraud or other scams should contact the Attorney General's Office at (602) 542-5763. Additional foreclosure prevention resources are available on the Attorney General's Web site, [www.azag.gov](http://www.azag.gov).

For more information, contact Anne Hilby at (602) 542-8019.

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